
OVERVIEW

This Report contains 33 audit paragraphs (including 3 general paragraphs), one performance review and two long paragraphs apart from comments on the finances of the State Government and allocative priorities and appropriation of the Government of Mizoram for the year 2003-04. One chapter on Internal Control/Internal Audit in the Finance Department is also included. According to the existing arrangement, copies of the draft audit paragraphs and draft audit reviews are sent to the concerned Secretaries to the State Government by the Principal Accountant General (Audit) with a request to furnish replies within six weeks. The Secretaries are also reminded for replies. However, despite such efforts, in respect of 25 audit paragraphs, two long paragraphs and one review included in this Report, no response was received from the concerned Secretary to the State Government. A synopsis of the important findings contained in this Report is presented in this overview.

1. Finances of the State Government

Revenue receipts during the year 2003-04 had increased by 34 *per cent* over the previous year (2002-03). Of the total revenue receipts of Rs.1370.95 crore during 2003-04, 7 *per cent* revenue receipts have come from State's own resources, while remaining 93 *per cent* came from central tax transfers and grants-in-aid.

(Paragraph 1.5.2)

There was significant increase (Rs.343.03 crore) in total expenditure during 2003-04 compared to previous year (2002-03). Interest payments and expenditure in general services considered as non-developmental, together accounted for nearly 28.23 *per cent* of total expenditure in 2003-04 as compared to 27.87 *per cent* in 1999-2000.

(Paragraph 1.6.1)

The interest payment on Internal Debt, loans received from central government and small savings increased steadily by 77.78 *per cent* from Rs.93.72 crore in 1999-2000 to Rs.166.62 crore in 2003-04.

(Paragraph 1.6.2 (iii))

Compared to 1999-2000, while there was significant improvement in capital expenditure during 2003-04, developmental expenditure increased marginally. But there was decline in plan expenditure during 2003-04 as compared to 1999-2000.

(Paragraph 1.7)

The assets of the State Government during 2003-04 increased from Rs.2386.72 crore to Rs.2761.15 crore (16 *per cent*), while the liabilities grew from Rs.2435 crore to Rs.2726.25 crore (12 *per cent*). This was mainly due to 19 *per cent* increase in gross capital outlay in fixed assets.

(Paragraph 1.8.1)

Return from Government's investment (Rs.11.68 crore) in Government Companies and Co-operative Societies was 'nil' during 1999-2004, while average interest rate paid by Government on its borrowings was 8.85 *per cent*. This resulted in implicit subsidy of Rs.5.08 crore during 1999-2004.

(Paragraph 1.8.2)

Interest received by the Government on the loans and advances given to Co-operative Societies and Companies during 1999-2004 was between 0.39 *per cent* to 1.25 *per cent*. However, average interest paid by the Government on its borrowings was 8.85 *per cent*, resulting in implicit subsidy of Rs.85.76 crore during the period.

(Paragraph 1.8.3)

Overall fiscal liabilities of the State increased from Rs.1113 crore in 1999-2000 to Rs.2044 in 2003-04 at an average annual rate of 18.67 *per cent*. Net availability of funds from the borrowings steeply declined from 22.96 *per cent* in 1999-2000 to 13.27 *per cent* in 2003-04.

(Paragraph 1.8.5)

2. Allocative priorities and appropriation

Expenditure of Rs.2189.72 crore was incurred against total grants and appropriation of Rs.1964.49 crore, resulted in overall excess of Rs.225.23 crore during 2003-04. The excess occurred was the result of excess of Rs.387.33 crore in 5 items of grants and appropriations partly offset by savings of Rs.162.10 crore in 44 items of grants and appropriations.

(Paragraph 2.2)

Supplementary provisions made during the year constituted 42 *per cent* of the original provision. Supplementary provision of Rs.10.38 crore made in 12 cases during the year proved unnecessary in view of the aggregate savings of Rs.66.72 crore.

(Paragraph 2.3.3 & 2.3.4)

Anticipated savings of Rs.116.83 crore under 42 grants/appropriations were not surrendered at the close of year 2003-04.

(Paragraph 2.3.6)

In 20 cases, an expenditure of Rs.417.66 crore was incurred without any provision. As against actual savings of Rs.20.90 crore in 17 cases, the amount surrendered was Rs.28.73 crore, resulting in excess surrender of Rs.7.82 crore.

(Paragraphs 2.3.7 & 2.3.8)

In six cases 45.25 *per cent* of the total expenditure was spent in last quarter and 34.07 *per cent* was spent in the month of March 2004.

(Paragraph 2.3.9)

Expenditure of Rs.122.24 crore (2003-04) in respect of seven departments remained unreconciled till June 2004.

(Paragraph 2.3.10)

As of November 2004, 27 AC Bills for Rs.7.90 crore for the period from 1999 to 2004 remained unadjusted for want of DCC Bills.

(Paragraph 2.3.11)

3. Internal Control/Internal Audit

Internal Audit in the Finance Department needs to be substantially improved to fulfill the desired objectives. Control and independence of the Department is to be ensured. Reporting and monitoring system needs to be strengthened for efficiency and effectiveness of the functioning of various Government Departments.

(Paragraph 7.1)

4. Audit review on Minor Irrigation Scheme

There was delay in execution of the project due to non-release of State's share of Rs.2.98 crore.

(Paragraph 3.1.6)

There was blocking of Government funds of Rs.1.14 crore relating to two projects which remained incomplete although shown as completed.

(Paragraph 3.1.11)

There was avoidable expenditure of Rs.99.26 lakh due to exhibition of inflated expenditure towards contractor's profit in departmental execution.

(Paragraph 3.1.15)

5. Construction of Sairang-Lengpui Road

The Executive Engineer, National Highway Division No-I incurred an extra expenditure of Rs.32.54 lakh due to enhancement of formation width in different chainage of the road.

The Division also incurred fictitious expenditure of Rs.20.90 lakh towards payment of muster roll labourer without execution of work.

(Paragraph 3.2.2)

6. Other points of interest

(a) Civil and Works Department

6.1 Extra avoidable expenditure

The Local Administration Department incurred an extra avoidable expenditure of Rs.66.40 lakh towards payment of compound interest due to failure in timely repayment of loan.

(Paragraph 4.1)

The Director of Agriculture, Mizoram incurred an extra avoidable expenditure of Rs.19.86 lakh in purchase of seeds at higher rate.

(Paragraph 4.3)

The Executive Engineer, Road Division, Lunglei and Project Division No-I, Aizawl incurred an extra expenditure of Rs.14.54 lakh in purchase of bitumen at higher rate.

(Paragraph 4.7)

6.2 Unauthorised/injudicious expenditure

The Project Director, DRDA, Kolasib and Champhai incurred an unauthorised expenditure of Rs.32.48 lakh in purchase of vehicle and construction of building violating the provision of guidelines.

(Paragraph 4.2)

The Director of Horticulture, Mizoram incurred injudicious expenditure of Rs.18.64 lakh on late receipt and poor germination of potato seeds.

(Paragraph 4.4)

6.3 Fictitious expenditure

The Mizoram State Sports Council incurred fictitious expenditure of Rs.8.28 lakh without actual execution of work.

(Paragraph 4.5)

6.4 Irregular payment

The Executive Engineer, Lunglei Building Division made an irregular payment of Rs.16.31 lakh as price escalation beyond the provision of the agreement.

(Paragraph 4.6)

(b) Revenue Receipts

(i) There was evasion of tax of Rs.41.09 lakh including penalty and interest due to concealment of turnover of Rs.2.01 crore during November 1999 to March 2003 by five registered dealers under the Assistant Commissioner of Taxes, South and North Zone, Aizawl.

(Paragraph 5.11)

(ii) There was a loss of revenue of Rs.2.07 crore due to non-detection of unauthorised extraction and supply of bamboos to Hindustan Paper Corporation during 2001-02.

(Paragraph 5.17)

(iii) Failure of the department to prevent illicit felling, burning and removal of 275 teak and gomari trees, resulted in a loss of revenue of Rs.29.48 lakh.

(Paragraph 5.19)

(iv) There was a loss of revenue of Rs.20.59 lakh due to delay in disposal of 14 lots of teak measuring 509.18 cum.

(Paragraph 5.20)

(v) There was evasion of tax of Rs.53.04 lakh inclusive of fine, due to non-initiation of action by District Transport Officer, Aizawl against owners for unauthorised use of 187 transport vehicles without paying tax during January 1995 to March 2003.

(Paragraph 5.23)

(c) Commercial and Trading activities

(i) Revenue loss of Rs.0.51 crore incurred due to exemption of contemplated clause for realisation of service charges from contractors under market intervention scheme.

(Paragraph 6.3)

(ii) Expenditure of Rs.3.10 crore incurred departmentally for execution of works could not be vouchsafed due to non-maintenance of mandatory records.

(Paragraph 6.4)

(iii) Lack of adequate check and control over the functioning of the distribution centre resulted in shortages of foodstuffs valued Rs.1.12 crore.

(Paragraphs 6.5)

(iv) Unnecessary purchase of speedboat led to blocking of Rs.0.15 crore.

(Paragraph 6.6)